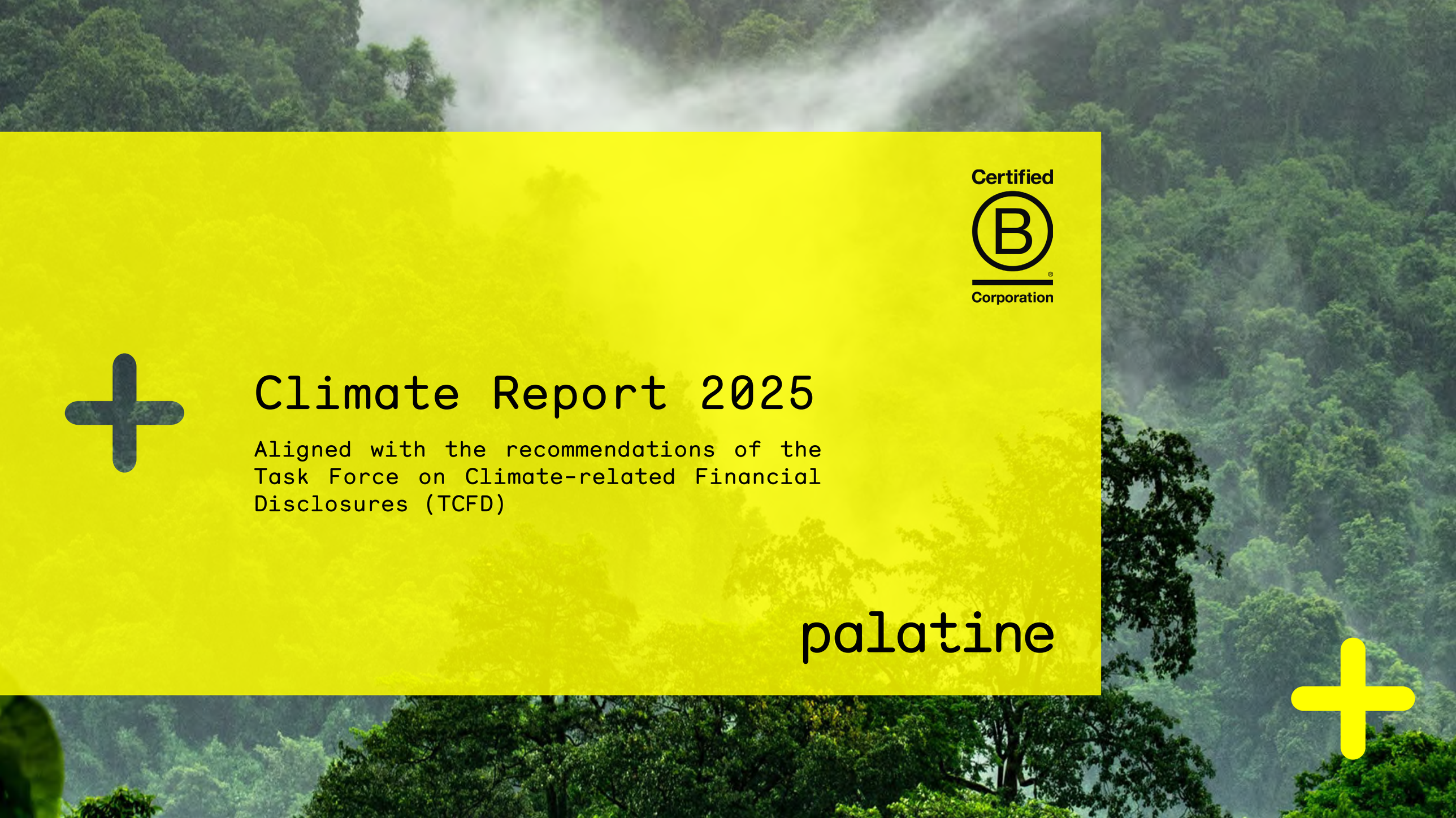

Climate Report 2025

Aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

palatine



Positive equity sits at the heart of how Palatine operates, and our approach to climate change is a clear expression of this. We recognise that climate change remains one of the greatest threats to the future of our planet, with impacts felt across our portfolio, whether through physical risks or the transition to a net zero economy. As an investor, we have a responsibility to help drive that transition, and our support for the aims of the Paris Agreement reflects this. This report sets out how we are putting that responsibility into practice, from strengthening our governance of climate-related risk to broadening the scope of our climate assessments across the portfolio. It reflects our continued ambition to be transparent, accountable, and aligned with leading practice as we work towards a low-carbon future.

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INTRODUCTION

Our philosophy centres on driving positive outcomes across our portfolio by scaling businesses sustainably to create long-term value and positive impact on society, the environment, and the economy. For over 15 years, we have embedded responsible investment at the heart of our culture. This commitment, which we define as ‘positive equity’, is a core aspect of our approach and is articulated in our Investment Code, guiding us to deliver sustainable growth and optimal returns for our investors.

We recognise that climate change continues to pose a significant challenge, with potential material impacts on our portfolio from both physical risks and the transition to a low-carbon economy. As responsible investors, we continue to advance our approach to identifying, managing, and mitigating these risks through our sustainability strategy. Aligned with the Paris Agreement, our efforts support the transition to a low-carbon economy while reinforcing our commitment to sustainable growth and responsible investment.

Our funds

We invest from two private equity funds, with a strategy focused around ESG, value enhancement and building strong relationships. We also have a Growth Credit fund, which shares our mission of being a force for good and enhances our ability to support an increasingly important part of the economy.

buyout

Sustainable Returns: Our Buyout Fund invests in dynamic and visionary management teams looking to drive their business through their next phase of sustainable growth.

impact

Returns with Purpose: Our pioneering Impact Fund invests in commercially driven businesses with a mission to positively impact on society or the environment.

growth credit

Regional Focus: Our Growth Credit Fund seeks to level-up the growth credit market across the UK by supporting maturing, high-growth tech companies in the regions. To incentivise our companies to take meaningful, impactful, and long-lasting ESG action, an ESG ratchet is core to the fund.



Purpose of the report

This report reaffirms Palatine's continued leadership in ESG and marks our latest disclosure aligned with TCFD, building on the approach set out in previous reports. It provides an updated overview of our approach to identifying, assessing, and managing climate-related risks and opportunities, with a focus on their relevance to potential investments, existing portfolio companies, and our internal climate strategy.

The scope remains focused on our Impact and Buyout funds, enabling a targeted approach to embedding climate considerations within these key areas of our business. Our methodology is grounded in strong governance and emphasises raising both internal and external climate awareness.

With this report, we aim to enhance transparency around how climate factors inform our decision-making and operations, supporting long-term resilience and sustainable growth. We also report on our progress against science-based targets, reinforcing accountability as we work towards meaningful emissions reductions.

Sustainability strategy and climate commitment

Our Sustainability Strategy is built around three core themes: Climate and Nature, Inclusion and Diversity, and Wellbeing and Engagement, each with strategic goals. These are reviewed annually, and steer Palatine and our portfolio towards making improvements in ESG. Relevant to this report, we will explore the Climate and Nature targets and provide a progress update.

These commitments reflect our broader goal of contributing to the global transition to a low-carbon economy, while supporting the resilience and growth of our portfolio companies.

Target 1: Embed nature-positive principles across the investment lifecycle and fully align with the TNFD framework by 2030.

In progress.

Each portfolio company is asked to assess its nature-related dependencies and risks on an annual basis and is encouraged to develop a management plan where those risks apply. Due to the nature of our investments, nature-based risks are low for the majority of our portfolio companies, therefore we are developing an approach that is commensurate and meaningful. Disclosures (TNFD) framework by 2030.

Target 2: Achieve net zero operations by 2028.

Progress: 97%

We are still working on this. In 2025, 97% of electricity used in our three offices was renewable[1], up from 95% in 2024.

1. Defined as being backed by a renewable energy certificate or REGO.

Target 3: 100% of portfolio companies to have set SBTs by 2032.

Progress: 11%

We aim for 60% invested capital coverage by 2028. To support wider adoption, we launched the Palatine SBTi Playbook in 2025, offering practical guidance for setting validated decarbonisation targets.

Importance of climate risks and opportunities to Palatine and private equity

"We're halfway through what remains a decisive decade for climate action and sustainable development."

Gary Tipper, Group Managing Partner

Climate risk is a critical factor in our investment strategy and portfolio management. We are now halfway through the decisive decade for climate action, and the path to 2030 will determine whether we can achieve long-term climate stability. Our approach focuses on building resilience across our investments while supporting the transition to a low-carbon future. By integrating climate considerations into our investment process, we aim to enhance due diligence, better managing risk and unlock opportunities for sustainable value creation aligning with our commitment to responsible investing and long-term sustainable growth.

"We will consider climate related matters in our investment strategy and support our portfolio companies to actively monitor and manage their climate change risks and impacts.

Palatine PE supports the United Nations' Sustainable Development Goals, and we relate our work, and that of our portfolio, to them where there are strong contributions and outcomes aligned to the aims of the goals.

We believe this will bring the goals to the attention of new business audiences."

Palatine Investment Code



Governance

BOARD OVERSIGHT

Strong governance is the foundation of long-term value enhancement and resilient growth, which is why it underpins our ESG framework. The Board plays a critical role in overseeing climate matters at Palatine. Climate issues are embedded within Palatine's broader investment philosophy and governance structures, ensuring they are considered at the highest levels of decision-making.

At the highest governance level, Palatine's Impact Managing Partner sits on the Board and has direct oversight of climate and ESG matters. Regular updates are provided to the Board by the Senior Sustainability Director, who leads the Sustainability Team and works closely with all partners across the business.

Climate-related policies, including Palatine's Climate Policy, general Investment Code, and ESG policy are reviewed annually by the board. The Group Managing Partner and Senior Sustainability Director sign off on these reviews, ensuring that Palatine's climate strategy is continuously aligned with global standards and internal goals.

The Board also approves an annual ESG budget, which includes specific provisions for climate-related initiatives. This process ensures that climate risks and opportunities are regularly assessed and integrated into both short- and long-term business planning. Senior leadership, through Board-level oversight, remains committed to addressing climate issues and supporting significant initiatives, such as our partnership with Flotilla in 2025 to enhance carbon and wider ESG reporting across our operations and the portfolio, our science-based targets validation in 2024, and the introduction of a formal internal sustainability strategy in 2022.

GOVERNANCE STRUCTURE AND MANAGEMENT'S ROLE

Sustainability Team

Palatine's Sustainability Team is directly involved across the entire investment lifecycle, from deal structuring to portfolio management and exit processes. The team serves as a dedicated ESG resource for both Palatine and its portfolio companies, ensuring climate and broader sustainability concerns are effectively integrated at every stage. While climate factors are assessed internally, external expertise is also sought when necessary to strengthen our sustainability efforts.

The Senior Sustainability Director leads the Sustainability Team, which is made up of the Sustainability Manager and Sustainability Executive, and directly reports to the Impact Managing Partner. This leadership structure ensures consistent dialogue across the business, with climate issues being regularly communicated at both operational and governance levels. The team is responsible for delivering ESG due diligence and baseline assessments, annual ESG and climate reporting, and ensuring climate impacts are continuously monitored. The team is also focused on upskilling both internal functions and portfolio companies on sustainability practices, including setting and achieving climate targets.

Investment and Portfolio Teams

A high level of oversight on climate matters also exists from the very beginning of the investment process all the way to exit. The Investment Teams work in close collaboration with the Sustainability Team to ensure any material climate matters are assessed and managed throughout the deal lifecycle. This starts with initial deal screening and extends through due diligence, Investment Committee approval, and post-deal portfolio management.

Quarterly ESG discussions at board meetings ensure that climate performance is continuously monitored and aligned with Palatine's sustainability goals.

Investment Committee

The Senior Sustainability Director is present at all Investment Committee meetings, ensuring that climate-related factors are included in all investment papers and discussed with the Investment Team and relevant Managing Partner.

Portfolio Board Oversight

Portfolio companies are encouraged to mirror Palatine's governance structure and commitment to climate matters by appointing a board-level ESG lead. ESG updates, including climate and carbon related KPIs, are standard items on quarterly board agenda, ensuring climate considerations are consistently considered at the highest and are aligned with Palatine's sustainability goals. This structure enables material climate risks to be identified, escalated, and monitored, supporting continuous improvement in the sustainability performance of portfolio companies.



Governance of sustainability

Board and Managing Partners

Sustainability is embedded within Palatine's investment philosophy and governance structures. The Impact Managing Partner sits on the board with direct oversight of ESG matters, supported by regular updates from the Senior Sustainability Director. Key ESG policies are reviewed annually by the board and signed off by senior leadership to ensure alignment with internal priorities and global standards. The board also approves an annual ESG budget, including sustainability initiatives.

Investment Committee

The Senior Sustainability Director attends all Investment Committee meetings, ensuring ESG considerations are included in all investment papers and discussed with the relevant Managing Partners.

Portfolio & Investment Teams

The Investment and Portfolio teams work closely with the Sustainability Team to assess ESG risks and opportunities from due diligence through to exit. ESG factors are incorporated into decision making and are discussed at board meetings quarterly to ensure alignment with Palatine's sustainability strategy.

Sustainability Team

The Sustainability Team supports ESG integration across the full investment lifecycle and serves as a dedicated resource for both Palatine and its portfolio companies. Led by the Senior Sustainability Director, the team comprises a Sustainability Manager and Sustainability Executive, providing due diligence, carbon footprinting, annual reporting, and monitoring sustainability performance. The team also works to build ESG capability across internal teams and portfolio companies through ongoing engagement and support, including setting and achieving sustainability targets.

Portfolio Management Team

Portfolio companies are encouraged to appoint a board level ESG lead and mirror Palatine's own governance structure and commitment to sustainability. ESG updates are regular board agenda items, helping ensure alignment with Palatine's sustainability goals and allowing ESG matters to be promptly addressed and supporting continuous improvement across the portfolio.

This relates to our equity funds only



Strategy

As the climate landscape continues to evolve, we recognise the increasing need to build a deeper understanding of how climate-related factors could impact our business and portfolio. This ongoing evolution reinforces the importance of continuous analysis and adaptation in our approach.

CLIMATE RISKS AND OPPORTUNITIES

In shaping our climate strategy, we have identified key physical and transitional risks that may impact our portfolio and are actively working to strengthen our approach to managing them.

RISKS

Physical risks

- **Flooding:** Increased rainfall and surface water flooding could pose risks to infrastructure, operations, and supply chains, particularly for portfolio companies with assets located in flood-prone or poorly drained areas. These events can lead to property damage, business interruptions, and increased insurance premiums.
- **Heatwaves:** More frequent and intense heatwaves are expected to impact workforce productivity, energy demand, and operational efficiency. Companies may face increased cooling costs, health and safety concerns, and accelerated wear on equipment and building infrastructure.
- **Storms and wind damage:** Storms, strong winds, and intense rainfall can damage buildings and infrastructure, disrupt supply chains and transport, and increase repair and maintenance costs. These impacts can be particularly acute for sectors with physical assets or logistical dependencies.
- **Water stress:** Although most portfolio companies are not water-intensive, changing rainfall patterns and the potential for summer droughts could impact supply chains, particularly where key suppliers operate in water-stressed regions. This may lead to competition for resources, supply disruptions, and increased operational costs.
- **Sea level rise:** Long-term sea level rise could exacerbate coastal flooding and erosion risks, posing threats to any assets, infrastructure, or suppliers located in low-lying coastal areas. While the short-term exposure is limited, these risks may grow in significance over time.
- **Temperature rise:** Gradual increases in average temperatures may affect long-term building performance, increase cooling energy requirements, and alter seasonal demand patterns. For some sectors, these changes could also affect material durability and increase maintenance needs.

We recognise that the impact of physical climate risks varies by geography and operational profile across our portfolio. We have started mapping location-specific exposures and integrating physical risk assessments into our investment monitoring and engagement activities.

Transitional risks

As the UK accelerates its transition to a low-carbon economy, Palatine and our portfolio companies face a range of regulatory, market, and reputational disruptions. Staying ahead of these changes and adopting sustainable practices will be crucial to mitigate the impact of these transitional risks.

While we are still in the process of fully understanding these risks and the evolving landscape, we have identified the following key transition risks:

- **Regulatory changes and climate disclosures:** Stricter climate regulations are emerging globally, mandatory reporting under the SECR framework, ESOS compliance, and climate-related financial disclosures in the UK. These regulations may require businesses to enhance energy efficiency, adopt low-carbon technologies, and increase transparency on carbon emissions and climate risk strategies.
- **Shifts in customer requirements:** Increasing demand for climate commitments and action from customers means that companies are expected to align with climate goals, such as science-based targets or Net Zero commitments. Failure to meet these expectations, especially in tenders or contracts, could impact competitiveness, reduce market opportunities, and hinder long-term growth.
- **Technological disruption:** Advances in clean and low-carbon technologies are changing industries rapidly. While most of our portfolio is not reliant on carbon-intensive technologies, there is an increasing pressure to work with low-carbon suppliers.
- **Reputational risk:** As expectations for sustainability increase from both investors and the public, companies that are seen as lagging on climate action or engaging in greenwashing could face reputational damage. Transparent and effective climate action is essential to avoid these risks.
- **Energy transition and cost volatility:** As the UK energy grid shifts to renewables, businesses may face short-term volatility in energy prices or need to invest in alternative energy sources (e.g. heat pumps, solar). Businesses with older or inefficient energy systems may be disproportionately affected.

These risks have the potential to create material financial impacts at both operational and strategic levels. We are proactively integrating climate risk considerations into our investment decision-making and supporting portfolio companies in embedding them into their long-term strategies.

On page 10, we present the results of our climate risk assessment, informed by responses from our annual ESG data request, in which portfolio companies reported on their exposure to physical and transitional climate-related risks. This assessment has allowed us to identify high-level risk themes across our portfolio. As we progress, we are enhancing this analysis by evaluating climate risk through the lens of invested capital and aim to better understand where our climate-related financial exposure is most concentrated. This will support more informed risk management, capital allocation, and engagement strategies going forward.

Risk level	Assessment criteria
Low	Minimal impact on operations, with little to no financial or operational disruption. The sectors are either well prepared for this risk, or the risk does not significantly affect their business model.
Medium	The risk has the potential to disrupt operations or incur moderate costs, but these can typically be managed with contingency plans or slight adjustments. There is a moderate chance of impact, but not critical to overall business continuity.
High	The risk can severely disrupt operations, lead to significant financial losses, or cause long-term damage to business performance. These sectors are highly exposed and vulnerable. Without significant intervention, the risk can have major consequences.

CLIMATE RISK ASSESSMENT BY SECTOR

			Sectors						
			Business services	**Construction**	**Education**	**Environmental services**	**Financial services**	**Healthcare services**	**Tech services**
Percentage by invested capital			28%	5%	3%	12%	9%	15%	28%
Risks	**Physical**	Flooding							
		Heatwaves							
		Storms and wind damage							
		Water stress							
		Sea level rise							
		Temperature rise							
	Transitional	Regulatory changes and climate disclosures							
		Shifts in customer requirements							
		Technological disruption							
		Reputational risk							
		Energy transition and cost volatility							

Low risk **Medium risk** **High risk**

OPPORTUNITIES

Engaging proactively in climate strategies continues to present valuable opportunities for Palatine and our portfolio companies, particularly as the regulatory, investor, and market landscapes evolve:

- **Energy efficiency and cost savings:** Improvements in energy efficiency through building upgrades, process optimisation, and smart technologies can reduce operating costs and carbon emissions, particularly in sectors such as healthcare, and construction where energy use is high.
- **Value creation and exit readiness:** Showing climate leadership and standing out from competitors through robust net zero strategies, validated science-based targets, risk assessments and adaptation planning enhances enterprise value. For example, in November 2025 the SBTi validated portfolio company, Morro's targets, which made it the first UK housebuilder of its size to achieve this.
- **LP and investor confidence:** Institutional investors increasingly expect GPs to demonstrate robust climate risk integration as a standard part of due diligence. Having a portfolio-wide evidence base in place enables Palatine to respond confidently to growing LP expectations around climate change.
- **Innovation and clean technology adoption:** Supporting the adoption of low-carbon technologies (e.g. electric fleets, green materials, digital emissions tracking) positions portfolio companies to respond effectively to both regulatory change and shifting customer demands – especially relevant in environmental services, construction, and technology sectors.
- **Competitive advantage through sustainability leadership:** Companies that actively reduce emissions and environmental impact are better positioned to attract customers, talent, and capital. This is particularly material for businesses where climate action directly influences brand reputation and the right to win work.
- **New market opportunities in the low-carbon transition:** The transition to a net zero economy is creating demand for new services and solutions. We continue to work closely with our portfolio companies to help them identify ways to support their clients in navigating this transition and unlock growth opportunities.
- **Resilience and business continuity:** Taking early action to build resilience to physical climate risks (e.g. flooding, extreme heat) will help safeguard assets and operations, especially in sectors with site-based activity or regional dependencies. This strengthens long-term operational stability across the portfolio.

In pursuing these opportunities, it will ensure that our portfolio companies are not only resilient to climate risks but also well-positioned to create value in a transitioning global economy.

IMPACT ON KEY ASPECTS OF BUSINESS

We recognise that climate-related risks and opportunities are influencing several core aspects of our business model. As regulatory, investor, and customer expectations continue to evolve, we are adapting our internal processes and investment approach to reflect this shift.

Portfolio performance

- **Revenue:** Shifts in customer expectations and growing demand for sustainable products and services are creating opportunities for value creation, particularly for companies able to demonstrate robust emissions reductions, credible net zero plans, and low carbon offerings. Failure to act could result in reduced competitiveness and lost market share.
- **Costs:** Short-term costs may arise from compliance with evolving regulations, implementation of energy efficiency upgrades, and insurance repricing. However, we expect these actions to drive long-term cost savings, operational resilience, and access to favourable financing terms.
- **Business resilience:** We are supporting portfolio companies in embedding climate risk into strategic planning to strengthen resilience to physical and transition risks. This includes identifying site level exposures and sectoral vulnerabilities, which informs both company level adaptation plans and our own risk oversight as investors.

Investment pipeline

We continue to integrate climate considerations into investment decisions, particularly within our Impact Fund, where alignment with the low-carbon transition is a key value driver. Increasingly, we are applying climate risk screens across all funds to identify businesses that are not only managing downside risks but are also well-positioned to capture upside opportunities from sustainability trends and market shifts.



CLIMATE EDUCATION

All businesses share a responsibility to lead in the global effort to decarbonise, which is why carbon education is a core focus of our sustainability strategy.

World’s first private equity firm to become a Carbon Literate Organisation

319 people trained since 2021 across Palatine, our portfolio, and investors

Annual sessions ongoing to maintain a Carbon Literate portfolio

Papilo – a leading sustainable waste management solutions provider – joined our portfolio in 2023 and first engaged with Carbon Literacy through Palatine’s Carbon Literacy training programme. Following participation in this training, Papilo, recognising the meaningful outcomes that the training can deliver, developed internal capability to deliver Carbon Literacy training itself. In 2025, Papilo trained 18 employees to become Carbon Literate and has since achieved the bronze level Carbon Literate Organisation accreditation. This has marked a shift from participation to ownership and making sure that Carbon Literacy is embedded within the organisation.

This approach supports long-term capability building and aligns with Palatine’s ambition to create self-sustaining, climate-literate businesses across its portfolio and deliver sustainability outcomes beyond our investment.

IMPACT ON FINANCIAL PLANNING

Climate-related factors are considered in our financial planning and capital allocation processes. While we are still refining our approach to quantifying financial impacts through scenario analysis, we are taking steps to understand how climate risks and opportunities may influence future revenue potential, cost structures, insurance exposure, and portfolio resilience. This evolving analysis is informing our long-term strategy, valuation processes, and engagement priorities.

Turning climate ambition into validated targets

We support our portfolio companies to set science-based targets that are in line with climate science. The work starts with data. Companies gather their emissions data in our ESG platform, Flotilla, giving them a clear baseline and a practical route to reducing emissions. We have developed a SBT playbook and deliver a workshop that helps leadership teams build the business case for climate action and take them through what setting a target involves in practice. We then support each company through target setting and validation by the Science Based Targets Initiative, so their targets are credible and achievable. This is central to how we turn climate ambition into measurable value.



CLIMATE STRATEGY

Our climate strategy is rooted in our commitment to reducing emissions and supporting the transition to a low-carbon economy. We have taken important steps to address climate risks and opportunities:

ACHIEVEMENTS TO DATE

Climate risk is an integral part of our ESG due diligence, baseline reviews, and Investment Committee considerations.

2020

We joined Initiative Climat International to engage in cross-sector collaboration to create methodologies and materials to support the industry and wider economy to transition to a low carbon future.

2021

We have been training our portfolio companies, our team, and our investors in Carbon Literacy and have achieved Silver-level accreditation. We have trained 319 people to date and continue to educate within our team, portfolio, investors, and wider network.

2024

Finalised and submitted our SBTs in 2023, validated by SBTi in 2024. Read more on page 21.

Embedded climate risk analysis into the annual portfolio ESG information request for 2024.

2025

Three companies with validated SBTs and a further four on-track.

Partnered with Flotilla to enhance ESG reporting across our operations and the portfolio.

5.2% reduction in scope 1 and 2 emissions across the portfolio despite more detailed reporting.

2026

Recertified as a Carbon Literate Organisation at the Silver level

Emissions from our direct operations remain negligible, while those associated with energy use decreased further from 2024, supported by renewable energy now covering 97% of consumption across our offices.

Climate risks identified and mapped across our portfolio sectors as seen on page 10.

We have partnered with Flotilla, a software consultancy providing enhanced tools and analytics to measure, track, and benchmark emissions and ESG performance.

What's Next?

- Use the expanded climate questions in this year's annual ESG information request to give us a clearer view of climate risks and opportunities across the portfolio.
- Use those insights to help our companies assess their own transition and physical climate risks.
- Further roll out of our science-based target programme, supporting more companies from data through to validation.
- Build our understanding of biodiversity risks and dependencies, so our approach to managing climate risk is complete.
- Use what we learn to strengthen our climate strategy and keep it in step with changing regulation and market expectations.



Risk Management



RISK MANAGEMENT

Processes for identifying climate-related risks

At Palatine, we understand that identifying and managing climate risks is essential for long-term resilience. We have an established process for screening material climate risks as part of our investment process framework.

How risks are systematically identified

Climate risks are identified during the ESG due diligence and baseline review processes. We screen for potential environmental risks, including those related to climate change and these gather relevant information from our portfolio companies to evaluate how their operations may be impacted by both physical and transitional climate risks and how they are placed to manage them.

Our baseline review provides a detailed snapshot of each company's sustainability practices. This review includes a focused discussion on climate-related risks with the relevant company teams, particularly through the lens of their environmental management practices. We also identify the appropriate SBT validation route for each company and explore any barriers that may be present in setting and validating an SBT.

PRE-DEAL

ESG screening: Climate-related risks are screened at a high level and communication among the Deal Team.

ESG due diligence: A deep dive into environmental management is conducted, where climate risks are discussed with the leadership team. These risks are then included in the baseline review report, which outlines recommended actions to mitigate identified risks.

Investment Committee: All climate-related risks identified are included in the Investment Paper, along with RAG rating to reflect the company's ability to manage these risks. Climate is discussed as part of the broader ESG agenda, led by the Senior Sustainability Director, ensuring that climate risks are carefully considered during investment decisions.

POST-DEAL

Debrief: Following the investment, recommended actions from the baseline review are discussed with the relevant teams, and immediate next steps are agreed upon to mitigate risks.

Ongoing monitoring:

- Annual ESG performance reviews: An annual ESG assessment is completed on all portfolio companies, including carbon footprint calculation and climate-related risk management. Performance is scored and reported to portfolio companies, investment teams, and investors.
- Quarterly ESG reviews at Board meetings: Climate-risks are included quarterly in Board Meetings, where material, these are included in ongoing risk management discussions.

EXIT

The aim is to equip companies to address future climate risks under new ownership. This process ensures that climate-related risks are identified, managed and mitigated throughout the investment period, positioning the company for long-term resilience.

Management of climate-related risks

We are integrating climate-related considerations into the broader risk management frameworks of our portfolio companies. This starts with building awareness and capability to identify and respond to both physical and transitional risks. We actively engage with company leaders to ensure these risks are understood, monitored, and managed.

Integration with overall risk management

As climate-related risks become increasingly important to the long-term sustainability of our investments, we are integrating these risks into our overall risk management strategy. We recognise that climate risks are interconnected with broader business risks, and as such, we aim to ensure alignment between climate considerations and our general risk management practices.

While we are still working on fully embedding climate-related risks into our risk frameworks, our ongoing efforts include integrating these considerations into portfolio monitoring and management processes. Over time, this will enable us to adopt a more cohesive approach, ensuring that both transitional and physical climate risks are addressed alongside other business risks.

SUPPORTING THE CLIMATE TRANSITION

As part of our commitment to responsible investment, we actively support companies that deliver climate risk assessments and strategies, enabling businesses to navigate the challenges posed by climate change. Two key investments in our portfolio, Papilo and Morro, are at the forefront of providing these services.

papilo

ESG has become critical to Papilo's ability to win work, with ESG criteria making up 10-30% of tender scoring. In response, Papilo has now created a dedicated ESG Lead role and is committed to setting an SBTi-validated carbon reduction target. Papilo has also achieved bronze level Carbon Literate Organisation accreditation and delivers carbon literacy training to its staff in-house.

MORRO

Morro Partnerships set a science-based target 2025, making it the only UK SME housebuilder with an SBTi-validated decarbonisation pathway.

Morro is committed to reducing absolute scope 1 and scope 2 greenhouse gas emissions by 42% by 2030, using 2023 as its baseline year, while also committing to measure and reduce scope 3 emissions across its value chain. The commitment is underpinned by a wide-ranging operational strategy already being implemented across Morro's sites, offices and supply chain.

SBTi validation confirms that Morro's targets are aligned with the level of emissions reductions required to meet global climate goals, giving its strategy independent credibility and long-term integrity.





Metrics and Targets

OUR OPERATIONAL CARBON FOOTPRINT

In 2025, we partnered with Flotilla, a sustainability technology platform specialising in the private equity sector, to strengthen ESG and carbon management across our portfolio. For the first time, we have measured and reported scope 1, 2, and all material scope 3 emissions for Palatine and our Private Equity2 portfolio. This has resulted in a greater total footprint reported, which reflects greater transparency and stronger foundations from which we can strategically plan decarbonisation and embed sustainability into decision-making.

Palatine delivered another year of measurable carbon reductions across its operations in 2025. Emissions from our direct operations remain negligible, while those associated with energy use have decreased further from 2024, supported by renewable energy now covering 97% of consumption across our offices.

As set out above, our scope 3 boundary has widened considerably this year. This is reflected in the breakdown below, where category 15 (investments) now accounts for the great majority of our scope 3 footprint.



2021

C6: Business travel

2022

C3: Fuel and energy related activities (FERA)

C6: Business travel

2023

C3: FERA

C6: Business travel

C8: Upstream leased assets

2024

C3: FERA

C6: Business travel

C7: Employee commuting

C8: Upstream leased assets

2025

C1: Purchased goods and services

C2: Capital goods

C3: FERA

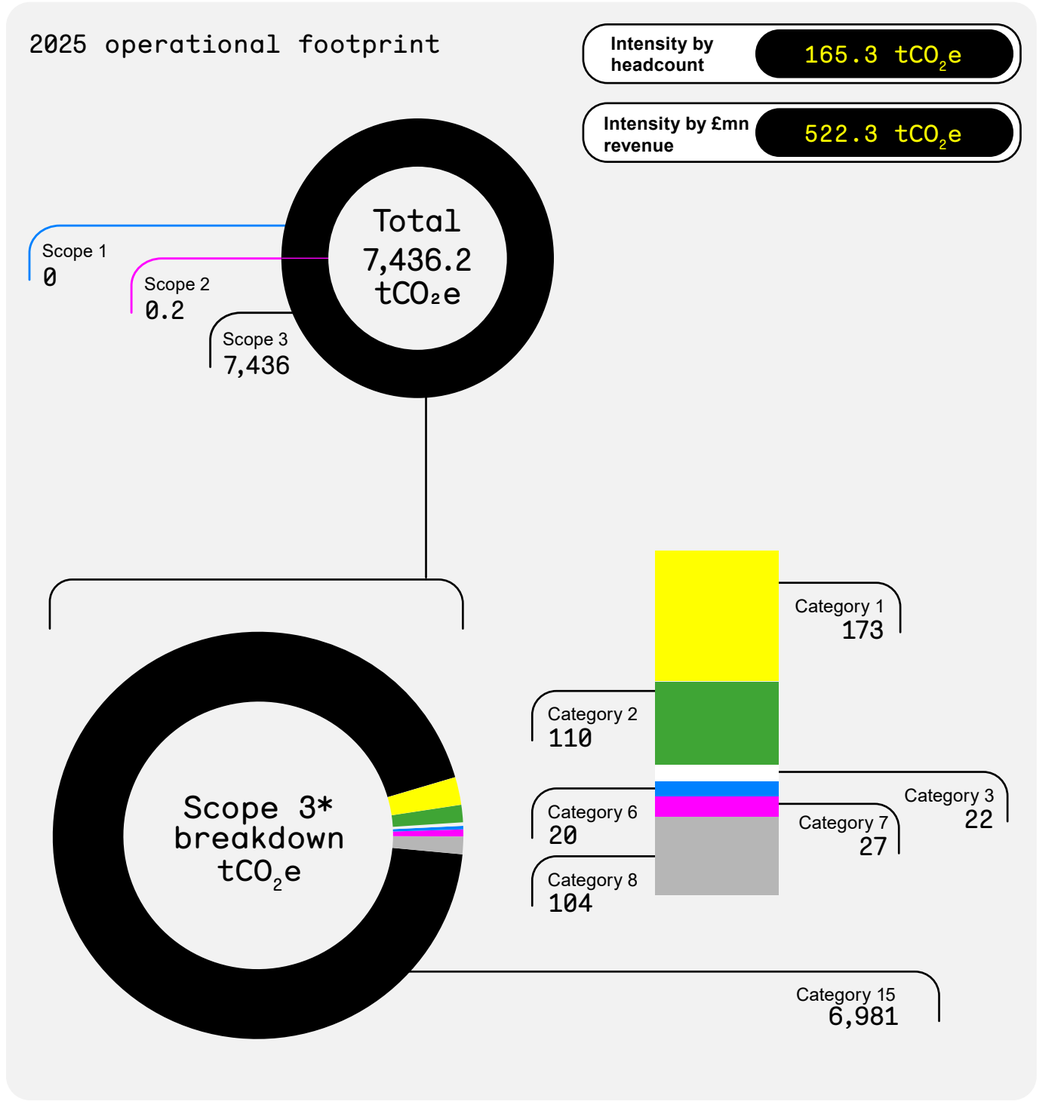
C6: Business travel

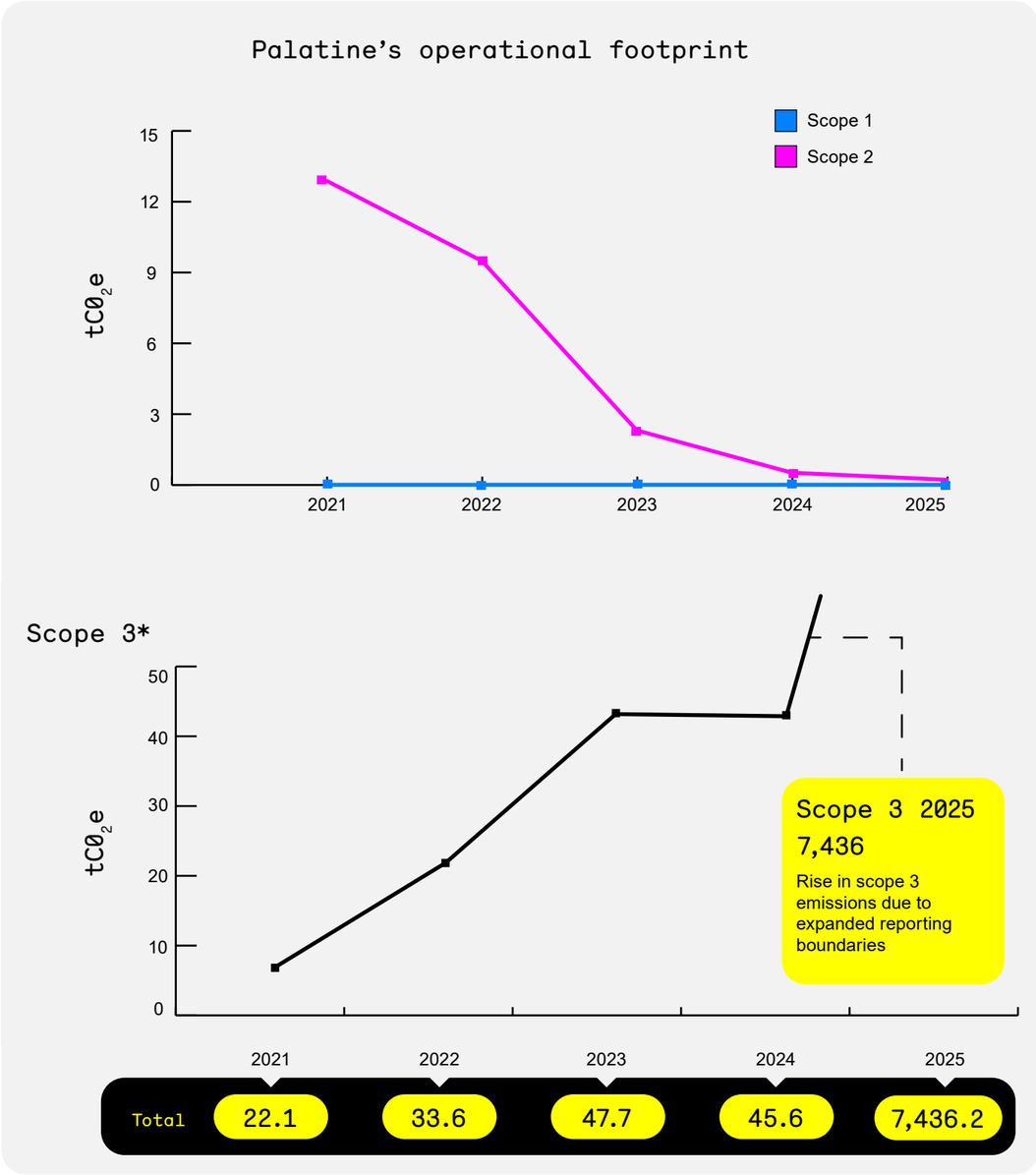
C7: Employee commuting

C8: Upstream leased assets

C15: Investments

As set out above, our scope 3 boundary has widened considerably this year following the roll-out of Flotilla. This is reflected in the breakdown below, where category 15 (investments) accounts for the great majority of our scope 3 footprint.



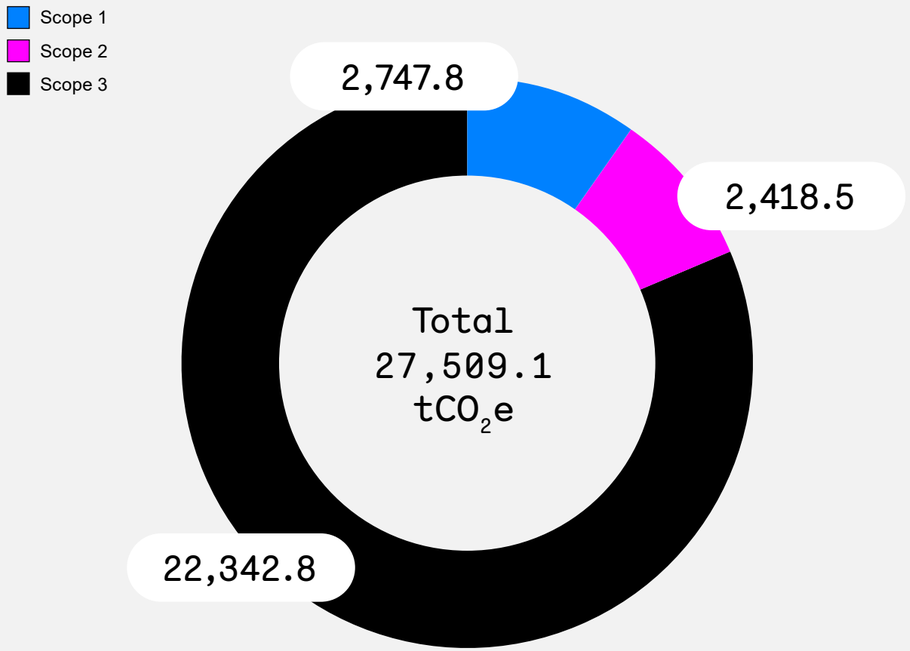


*Rise in scope 3 emissions due to expanded reporting boundaries

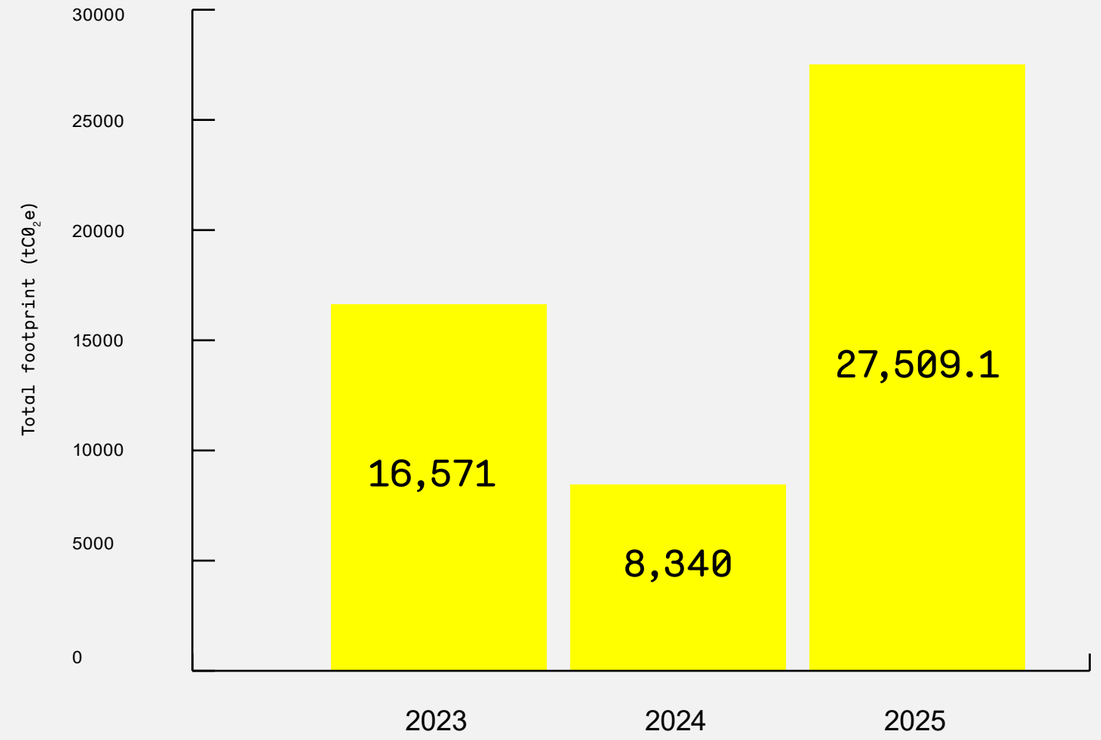
ACCOUNTING FOR CARBON IN OUR PORTFOLIO

We have been measuring our portfolio carbon footprint since 2018. In 2025, we expanded the scope of the footprints measured to include all scope 1, 2 and material scope 3 emissions. The increase in the portfolio carbon footprint in 2025 was largely driven by the expansion of our scope 3 reporting boundaries.

Due to the fluid nature of private equity portfolios, there are inherent challenges with reporting the carbon footprint at the portfolio level, making it difficult to make year-on-year comparisons. As a result, we have also been reporting the carbon footprint normalised by employee headcount and revenue.



Intensity by headcount	4.5 tCO_2e
Intensity by £mn revenue	76.8 tCO_2e



	2023	2024	2025
No. of portfolio companies	22	26	22
Intensity by £mn revenue	19.99	10.30	76.80
Intensity by headcount	1.85	1.07	4.50

6,902 tCO_2e

saved through procuring renewable energy across the portfolio in the last four years

We continue to see more companies making the switch to procuring green energy as a cost-effective way to minimise their carbon footprint. 64% of our portfolio procures green energy. We monitor this KPI and encourage our businesses to make the switch.

PROGRESS AGAINST OUR SCIENCE-BASED TARGETS

We advanced our trailblazing approach to sustainability by setting ambitious science-based targets for reducing greenhouse gas emissions in our own business and across our portfolio. We believe that these validated targets further solidify our position as the sustainability pioneer within the mid-market.

The target is split into absolute emissions reductions in our operational emissions (scope 1 and 2) and our financed emissions (scope 3, category 15). As interpreted by the SBTi, the latest science requires us to reduce our emissions from gas and electricity by 42% by 2030 and increase science-based target portfolio coverage to 60% by 2028. What these targets mean and how we achieve them is explained below.

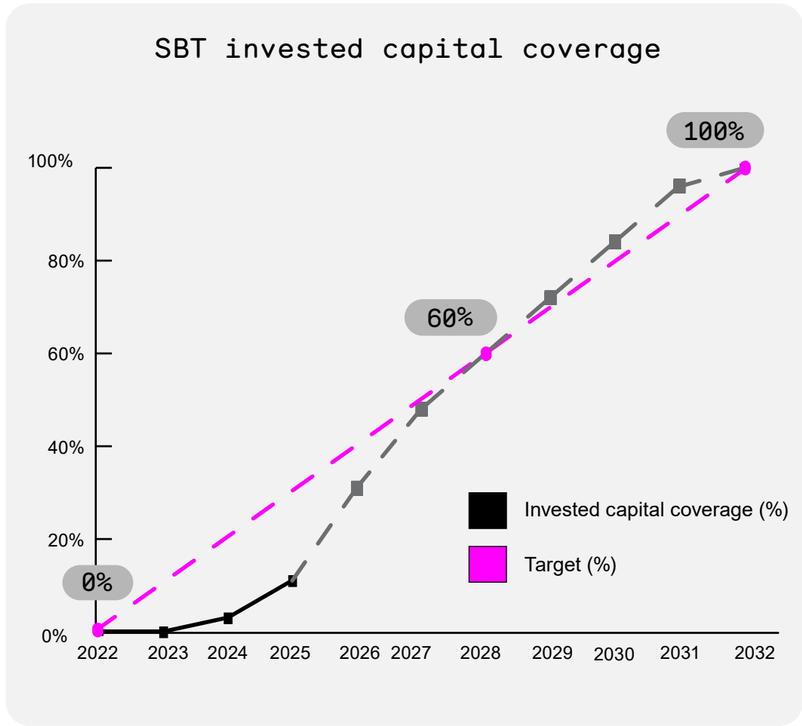
Operational emissions: Reduction of absolute scope 1 and 2 greenhouse gas emissions by 42% by 2030 (from a 2022 base year)

The target covers our scope 1 and 2 emissions. Palatine's scope 1 emissions are nil. As such, our scope 1 target is to maintain this. To meet our scope 2 target, Palatine endeavours to minimise energy use and ensure that the electricity we procure is generated from renewable sources rather than fossil fuels. The electricity supply is at the discretion of our landlords; however, we have been engaging with them to switch to renewable electricity since 2021. In 2025, 97% of electricity used in our three offices was renewable[1], up from 95% in 2024.

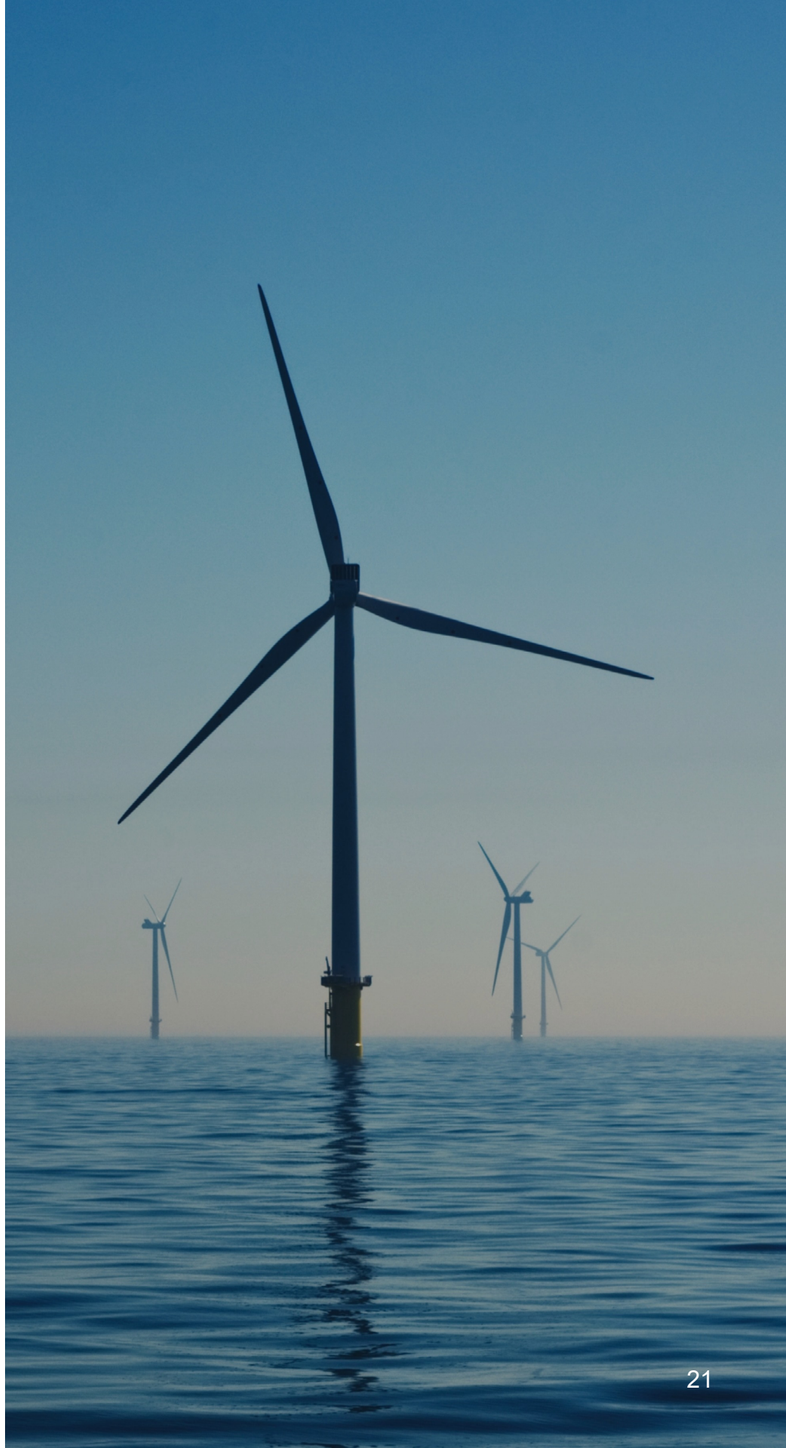
Portfolio emissions: 60% of invested capital to have set science-based targets by 2028 and 100% of invested capital by 2032.

This target accounts for the emissions we finance through our investments (scope 3). Financed emissions are accounted for using the scope 1 and 2 footprints of all our portfolio companies. However, as we do not have operational control of all these businesses, our target is a 'target of targets'. We aspire to have 100% of our portfolio set a science-based target by 2032. Therefore, by 2028, we are targeting 60% portfolio coverage (invested capital).

By the end of 2025, 11% of invested capital was covered by validated targets, up from 3.1% in 2024, making meaningful progress against our interim portfolio target of 60% coverage by 2028. This target is set across the entire private equity portfolio. We have also engaged a further four portfolio companies to set their SBT in 2026, which will result in a projected coverage of 31% of our invested capital.



1. Defined as being backed by a renewable energy certificate or REGO.





To continue with this momentum, we have deployed our tailored SBTi Playbook, aligned with the Private Markets Decarbonisation Roadmap (PMDR). The PMDR provides a common language, in Private Equity, to disclose decarbonisation progress of portfolios. Our step-by-step framework is designed to guide companies from an early stage – where they have limited understanding of their climate impacts - through to measuring and reporting a carbon footprint and setting validated science-based targets. The Playbook is structured into five self-drive modules:

1. Not started

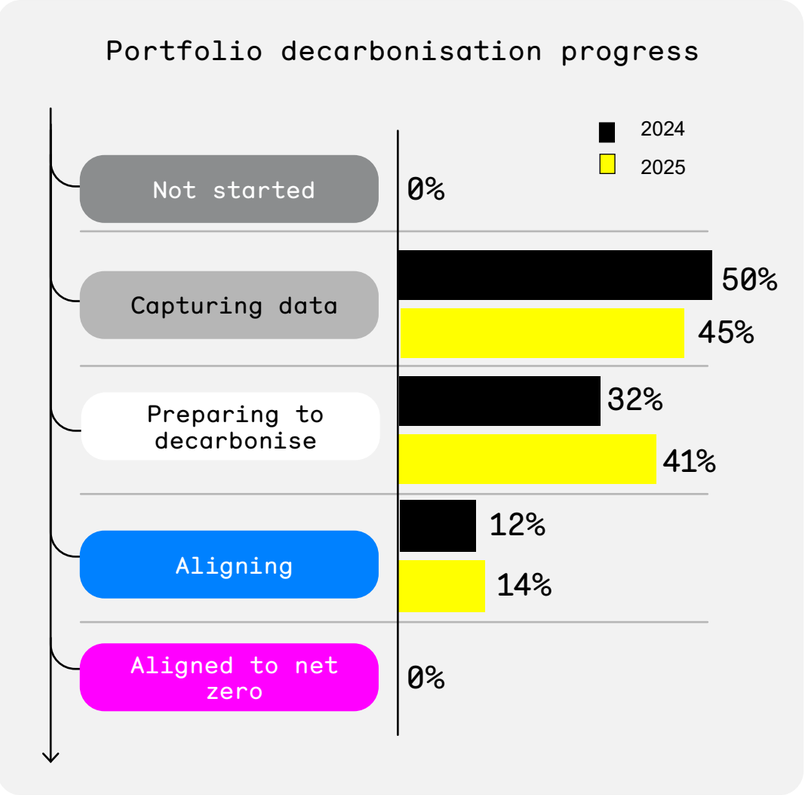
2. Capturing data

3. Preparing to decarbonise

4. Aligning

5. Aligned to net zero

It maps out the journey from first measurement to net zero alignment. Each module provides clear learning outcomes, practical templates and trackers, sector-specific decarbonisation levers, and signposts to trusted external resources. To embed accountability, SBT requirements are written into our legal agreements: all new portfolio companies must validate their SBTs within two years of investment, during which time they are expected to complete the first four Playbook modules and set their target.



Using PMDR to track decarbonisation progress, we've seen that ambition start to pay off: the proportion of companies still at 'capturing data' has fallen from 50% to 45%, while those 'preparing to decarbonise' has grown from 32% to 41%, and those 'aligning' from 12% to 14%. This shift shows our SBT Playbook is doing its job, moving companies beyond simply measuring their footprint towards actively planning and delivering reductions.



> “There is a climate emergency, and we have a small window where we can make a change. We need to make big changes and make them quickly to reverse some of the terrible things we’re seeing at the moment.”
>
> **Beth Houghton, Impact Managing Partner at Palatine**

Conclusion

Our third TCFD-aligned Climate Report continues Palatine’s journey to understand, manage, and disclose climate-related financial risks and opportunities. Building on the foundations laid in our inaugural report, we have deepened our analysis by drawing on improved data from our portfolio companies, expanding our assessment of physical and transition risks, and evaluating risk exposure through the lens of invested capital.

This year’s report also reflects growing maturity in our approach to governance, climate integration, and forward planning. We are refining our processes to ensure that climate considerations are embedded more consistently across our investment cycle, portfolio engagement, and board-level oversight.

We will continue to evolve our approach by enhancing scenario analysis, aligning with emerging global frameworks, and integrating nature and biodiversity into our broader sustainability strategy. Through this work, we aim not only to meet stakeholder expectations, but to position Palatine and our portfolio for long-term, sustainable value creation in a rapidly changing world.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